



ESG Highlights

Annual Report 2023



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Information related to Alternative Performance Measures (APM) used in this presentation are included in Telefónica’s consolidated financial statements and consolidated management report for the year 2023, submitted to the CNMV, in Note 2, page 11 of the .pdf filed. Recipients of this document are invited to read it. Neither this document nor any related conference call or webcast (including any related Q&A session) nor any of their contents constitute an offer to purchase, sale or exchange any security, a solicitation of any offer to purchase, sale or exchange any security, or a recommendation or advice regarding any security, or a solicitation for any vote or approval in any other jurisdiction.

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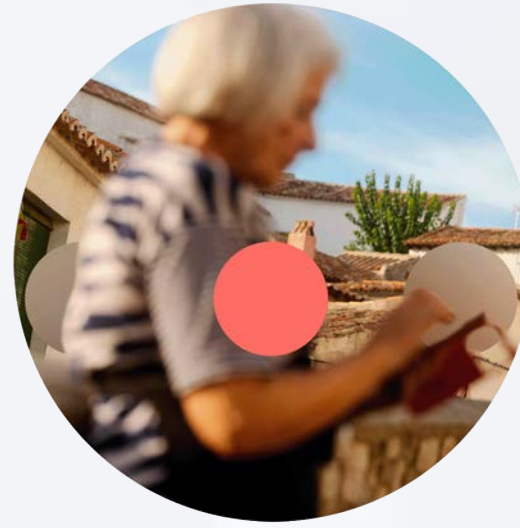
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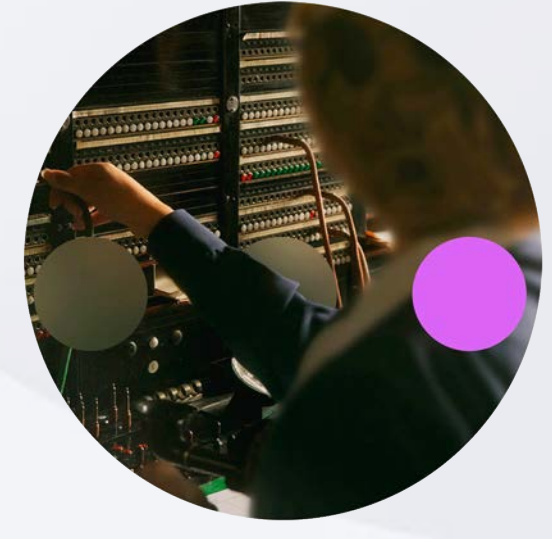
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Introduction: ESG at Telefónica

- ✓ ESG at the core of our organization
- ✓ Long-standing commitment to ESG
- ✓ Clear pathway ahead
- ✓ Anticipating upcoming regulation
- ✓ 3rd party validations

Telefónica's approach to managing ESG

 <p>ESG at the core of our strategy</p>	<ul style="list-style-type: none"> • Mission and corporate strategy place sustainability at the core.
 <p>Long-standing commitment</p>	<ul style="list-style-type: none"> • Board committee dedicated to sustainability issues since 2002. (more info).  • Industry's 1st issuer of green bonds and hybrids (green & sustainable).
 <p>Clear pathway ahead</p>	<ul style="list-style-type: none"> • Clear ESG priorities, with firm ESG targets. • ESG targets linked to employees' annual variable remuneration (20%).
 <p>Anticipating regulation</p>	<ul style="list-style-type: none"> • Double Materiality assessment according to CSRD requirements. • Facilitating investors' reporting disclosure requirements (e.g., PAIs, SDG Impact report)
 <p>3rd party validations</p>	<ul style="list-style-type: none"> • 10th consecutive year on the CDP A List and Supplier Engagement Leader for 4th year running. • World leader in the WBA Digital Inclusion Benchmark for 3rd consecutive year. • Leading telco in Ranking Digital Rights for 3rd consecutive year.

ESG embedded within our mission and strategy

Our mission: To make our world more human by connecting people's lives



388m accesses

ESG teams in our **12** Operating Markets

Presence in **170** countries

ESG embedded in our GPS programme as a lever to transform the business



Growth

Transform our customer relationship

Profitability

Transform our operational model

Sustainability

Transform to long term value

Telefónica is a pioneer in sustainable financing



Objective: ~40% of Telefónica's financing to be linked to sustainability criteria by 2026 (33.6% at the end of 2023).



Exchange rate at year-end 2023.

Sustainable financing includes balance-sheet debt (classified as current and non-current financial liabilities), hybrids instruments and undrawn committed credit lines. 1

Sustainable criteria defined on Telefónica's sustainable financing frameworks according to ICMA, LMA, APLMA, LSTA principles, and other ESG criteria.

Not necessarily aligned with the requirements of the EU Taxonomy Regulation.

Telefónica's ESG priorities

Building a greener future

- ✔ Minimise our environmental impact, including achieving net-zero emissions, 100% renewables and zero waste.
- ✔ Maximise our reach in providing products and services that decarbonise the economy.



Helping society thrive

- ✔ Reduce the digital divide by connecting the under-served and bringing transferable, digital skills to people.
- ✔ Ensure an inclusive and safe workplace to attract and retain the best talent.
- ✔ Transform the customer relationship with new offerings and opportunities through an ESG lens.



Leading by example

- ✔ Embed ESG across the business and our supply chain, with the highest ethical standards
- ✔ Ensure the security and privacy of customer data with the highest standards and processes.



Environment: Key targets & progress

 Clear pathway ahead



ENERGY & CLIMATE CHANGE

	Targets	2022	2023	Highlights	
Net Zero by 2040 (SBTi validated)	Scopes 1 & 2 % emissions reduced since 2015	90% reduction by 2030	80% ★	81% ★	<ul style="list-style-type: none"> We reduced scopes 1, 2 & 3 emissions by 51% in the last 8 years. Main levers to achieve these targets: <ul style="list-style-type: none"> 8.6% reduction on energy consumption since 2015, while data traffic has increased 8.6x. In 2023, 100% renewable in Europe, Brazil, Peru & Chile. New target: 90% reduction of scope 1 & 2 emissions by 2030 (previously 80%).
	Scope 3 % emissions reduced since 2016	56% reduction by 2030	32%	31%	
	Renewable electricity % in own facilities	100% renewables by 2030	82%	84%	

GREEN DIGITALISATION

Development of green digital solutions	Avoided emissions	Helping our customers to avoid emissions	> 81 MtCO ₂ e	> 86 MtCO ₂ e	<ul style="list-style-type: none"> In 2023, we helped our customers avoid > 86 MtCO₂ thanks to connectivity and Eco Smart services. 52% of our B2B solutions have been verified as Eco Smart.
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CIRCULAR ECONOMY

Zero waste by 2030	Customer Premise Equipment Routers, decoders	90% refurbished by 2024	86%	88%	<ul style="list-style-type: none"> By repairing and reusing, we avoided the purchase of 3.7M of new equipment.
	Mobile devices Reused and recycled	100% reuse, resale and recycling mobile devices by 2030	99%	99%	<ul style="list-style-type: none"> New GSMA target of collecting 20% of directly distributed mobile phones from customers by 2030 (in 2023, 11%). 491,422 mobile devices reused in 2023.
	Waste management Zero waste to landfill by 2030	100% of waste reused and recycled by 2030	98%	97%	<ul style="list-style-type: none"> We reused and recycled 97% of waste, including 4.5M items of electronic equipment, avoiding 365,929 tCO₂. GSMA target: Reuse and recycle 100% of network equipment by 2025 (99% in 2023).

★ Target achieved

Social: Key targets & progress




Targets

2022

2023

Highlights

HUMAN CAPITAL

Employee satisfaction	eNPS Employee satisfaction	70 points annually	69p 	76p 	<ul style="list-style-type: none"> • 11 point improvement since 2019. • Updated target to 70p (previously 60p).
Diversity & inclusion	Women executives % women executives	37% by 2027	31.3%	32.8%	<ul style="list-style-type: none"> • 13.7% improvement since 2015. • Updated target to 37% by 2027 (previously 33% by 2024). • >1k employees with disabilities added to workforce vs. 2022.
	Talent with disabilities Number of employees with disabilities	x2 employees with disabilities by 2024	1,482	2,572	

DIGITAL INCLUSION

Digital inclusion	Rural connectivity % mobile broadband coverage	>90% rural mobile broadband coverage In main markets by 2024	80-99%	82-99%	<ul style="list-style-type: none"> • Rural population coverage per operation (4G/LTE): 82% Brazil, 99% Germany, 95% Spain and 99% UK. • Total population coverage (4G/LTE): 92% total footprint. • Total population coverage (5G): 48% Brazil, 95% Germany, 87% Spain, and 51% UK. • Employability training in digital skills through Telefónica Fundación programmes, e.g. “Conecta Empleo”.
	Digital skills Number of beneficiaries	At least 1M beneficiaries annually	1,305,715	1,251,354	

HUMAN RIGHTS

Human rights	Evaluation of 100% of our operations every year Percentage operations evaluated		100%	100%	<ul style="list-style-type: none"> • Pioneers in publishing a report on the Due Diligence process to take into account the new regulatory requirements. • Implementation of the recommendations from the Global Impact Assessment performed in 2022.
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Governance: Key targets & progress



Targets

2022

2023

Highlights

SUPPLIERS

Potential high-risk suppliers % externally assessed on sustainability	100% by 2026	72%	72%	<ul style="list-style-type: none"> >18.3k on-site audits in 2023. In 2023 we requested our key suppliers to align and validate science-based decarbonisation targets by SBTi.
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GOVERNANCE & ESG CULTURE

Corruption Number of confirmed cases of corruption	Zero tolerance of corruption	0	0	<ul style="list-style-type: none"> ~95k employees received anti-corruption training, which represents 91% of the workforce Launch of the ESG Academy for employees, reaching >2,500 in 2023. Members of the Board also trained in ESG topics. We have transformed gender representation on the Board: 11% women directors in 2015; 40% today.
Board diversity % female on the Board Directors	Parity in top governing bodies By 2030	33.3%	40%	

PRIVACY & SECURITY

Data Privacy Position in Ranking digital rights	Lead the industry in digital rights	1st	1st	<ul style="list-style-type: none"> Telefónica has held the 1st position in the last three editions of the Ranking Digital Rights's index. 75k hours of training in data protection & security.
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SUSTAINABLE FINANCE

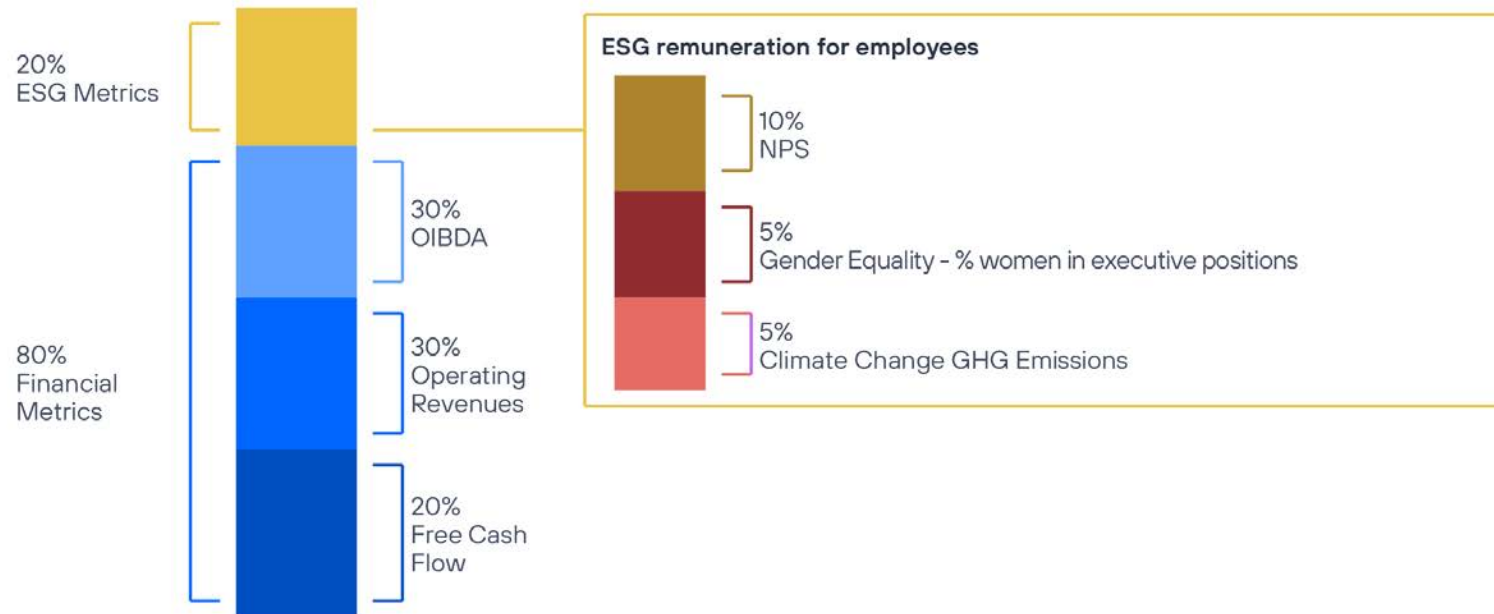
Data Security Data Breaches involving personal identifiable information	Highest levels of security	2	0	<ul style="list-style-type: none"> Our main operations are certified under ISO 2700.
40% sustainable finance⁽¹⁾		27.3%	33.6%	<ul style="list-style-type: none"> 6.3 pp Increase of financing linked to sustainability criteria vs. 2022.

(1) Sustainable financing includes balance-sheet debt (classified as current and non-current financial liabilities), hybrids instruments and undrawn committed credit lines

ESG targets linked to remuneration

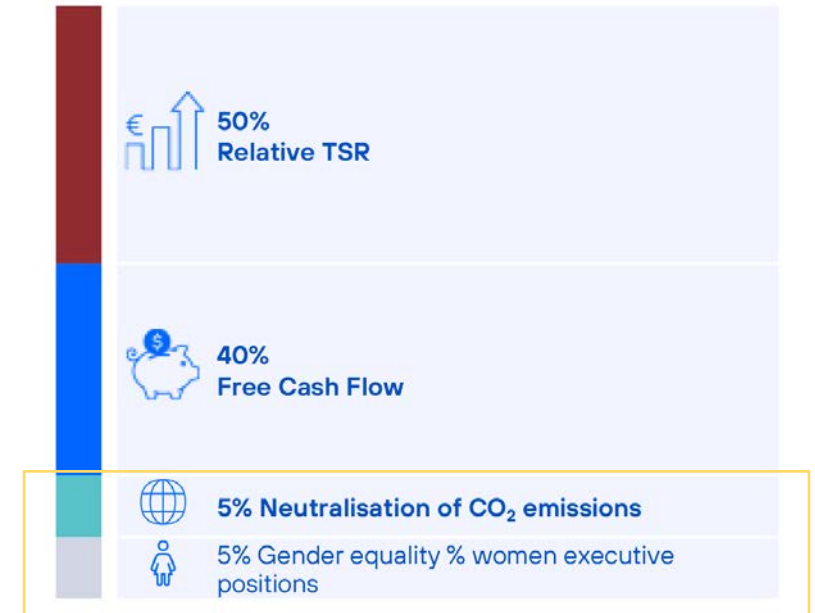
For all employees receiving bonus

Annual variable remuneration



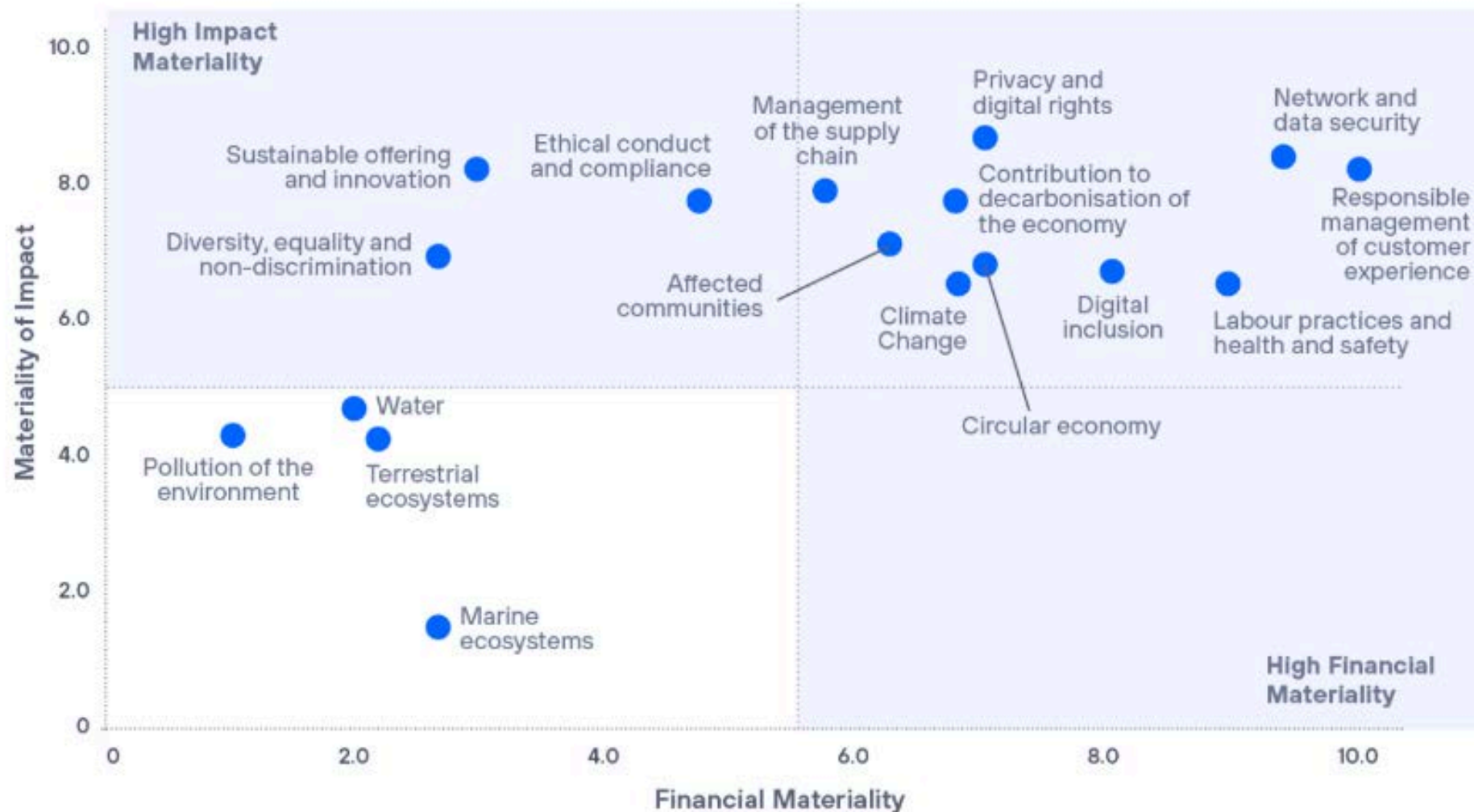
For executives

Long-term Incentive (2021-2026) (1)



(1) A 2024-2028 Long-Term Incentive Plan proposal is expected to be put forward at the forthcoming 2024 General Shareholders' Meeting.

Double materiality: determining element of our strategy



(1) Please see further information in Annex VI.

Anticipating investors' EU regulatory needs

We map our **sustainability performance against investor requirements** under the EU's Sustainable Finance Action Plan, demonstrating how **Telefónica** can match investors' needs in complying with **Art. 8 & 9 SFDR fund requirements**.

1 Taxonomy, Eligibility & Alignment

- ✓ In FY 2023, we reported on **Taxonomy alignment** for climate change activities & **Taxonomy eligibility** for new circular economy activities.
- ✓ Currently there is a **low level of alignment** (Revenues 1.6%, Capex 0.5%)
- ✓ Alignment implies compliance with **Social Minimum Safeguards & Do-Not-Significant-Harm**.
- ✓ **Sector joint proposal under ETNO and GSMA** using the Stakeholder Request Mechanism to ask for a **new activity in taxonomy specifically dedicated to telecommunication networks**.
- ✓ According to the **White paper on Building's Europe digital infrastructure for tomorrow**, 'The Commission will engage with the sector to improve the potential scope of the EU taxonomy for green investments in electronic communication networks'.

2 Going beyond with positive impact

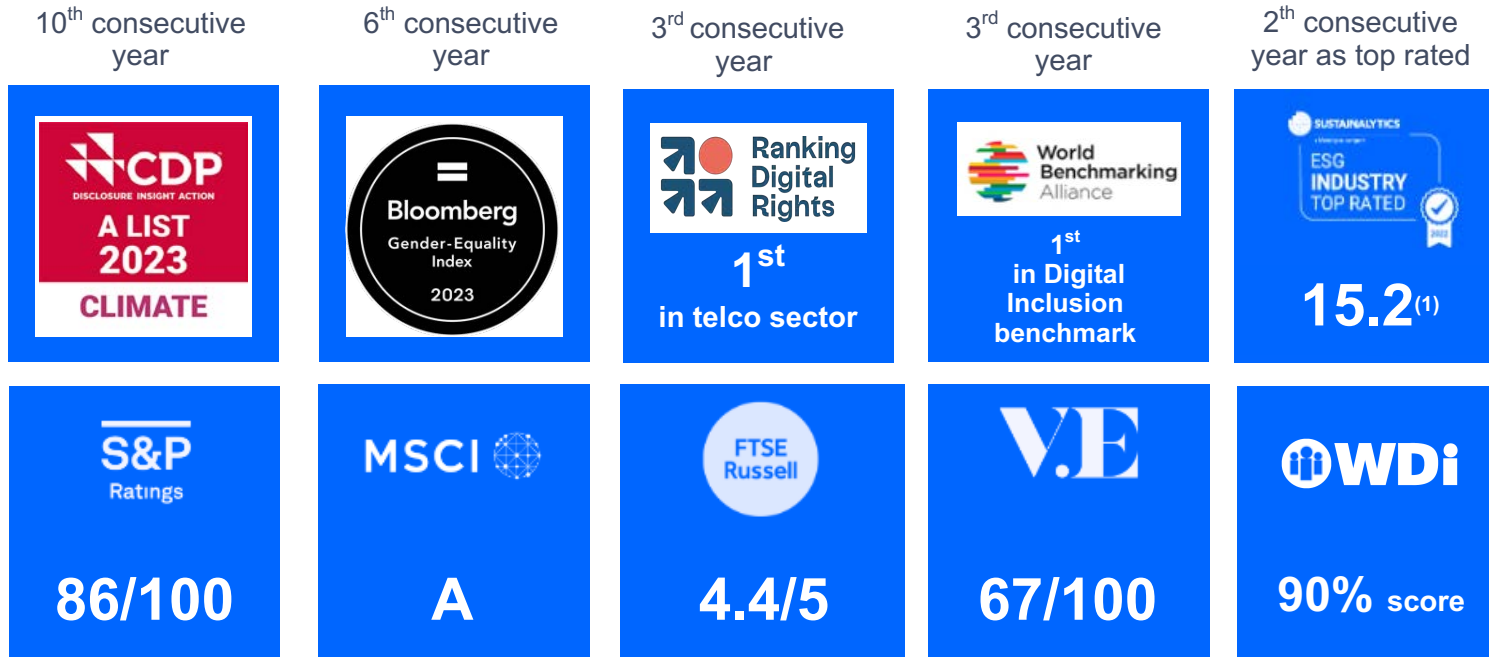
- We are well suited to meet the **Art. 8 & 9 funds' criteria**:
- ✓ Our Business, and Environmental & Social practices, lead to substantial net-positive **SDG impacts** (€100bn in 2022)⁽¹⁾.
 - ✓ Telefónica consistently achieves scores above industry averages in **ESG ratings**.

3 Principle Adverse Indicators

Telefónica reports in its management report an exhaustive list of the metrics that investors could potentially use to comply with the **SFDR Principle Adverse Indicators**.

Our performance is validated by leading rankings

Ratings & Rankings



Accountability & Transparency



4th most admired telecommunications operator in the world and 2nd in Europe
Fortune 500

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E: Building a greener future





Telefónica's environmental policies have led the sector for many years. Our digital solutions are helping to decarbonise the economy.

- ✓ Energy and climate change
 - Telefónica decarbonisation roadmap
 - Energy
- ✓ Connectivity & digital solutions for a green transition
- ✓ Circular economy
- ✓ Biodiversity and water



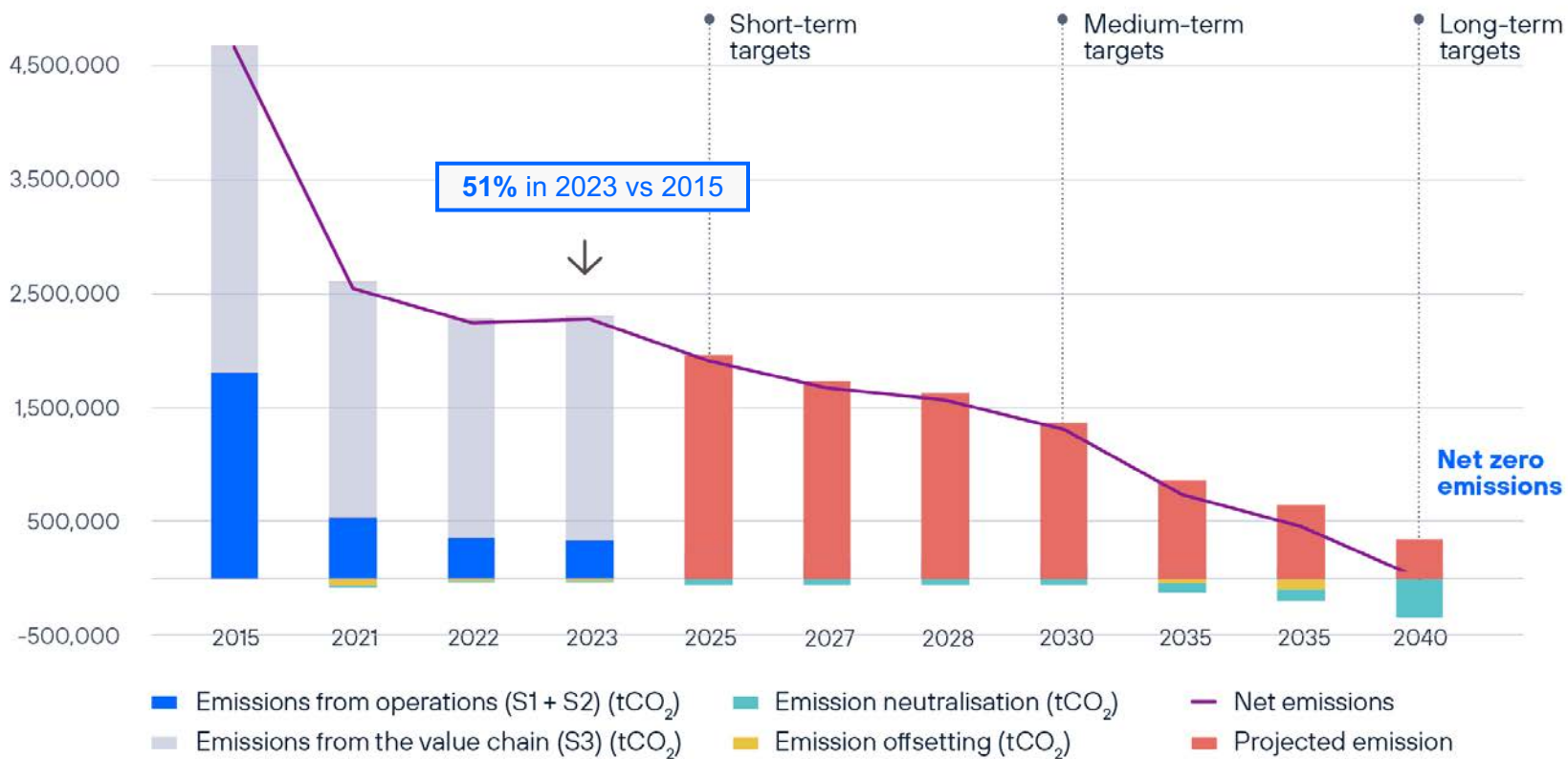
Decarbonisation Plan: Targets & progress so far

In order to reach our short and long-term climate targets, we implemented a Climate Action Plan that goes beyond the Paris Agreement and aims to limit the temperature increase to 1.5°C above pre-industrial levels.

		Target	Target KPI	2023 Progress	Key messages
Operational emissions		-90%	Scope 1 & 2 emissions reduction by 2030 compared to 2015.	-81%	<ul style="list-style-type: none"> • Scope 1 emissions dropped by 7% compared to 2022. • Scope 2 emissions dropped by 3% compared to 2022.
Value chain emissions		-56%	Scope 3 reduction emissions by 2030 compared to 2016.	-31%	<ul style="list-style-type: none"> • In 2023 Telefónica has further implemented supplier engagement initiatives to reduce its 64% of Scope 3 emissions stemming from the supply chain.(more info) 
Neutralisation		100%	Offsetting of unabated Scope 1 & 2 emissions in key markets ⁽¹⁾ by 2025.	65%	<ul style="list-style-type: none"> • Spain: credits from Telefónica Forest, as well as other conservation and restoration projects, accounting for 18% operational emissions. • Germany: neutralised 60% of their operational emissions • Brazil: offset 100% of their Scope 1 & 2 emissions through the purchase of carbon credits. • Telefónica, S.A.: mitigated 68% of the impact of the Scope 1 & 2 emissions from its corporate premises.

(1) Key markets mean operations in Germany, Brazil and Spain.

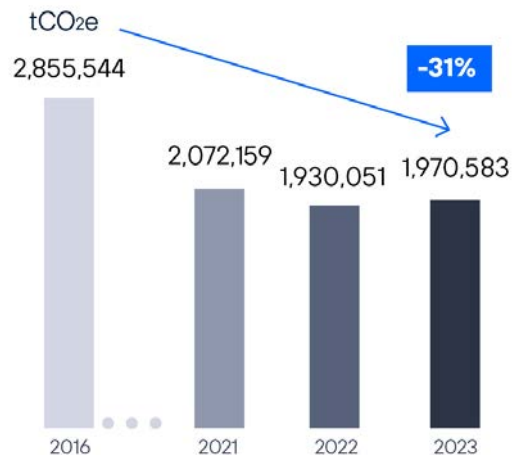
Decarbonisation Plan: Pathway to Netzero by 2040



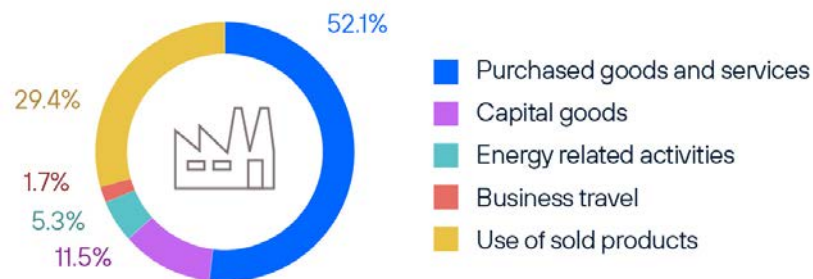
- Carbon offsetting stands for offsets that represent avoided or reduced emissions. At Telefónica, we are using carbon credits to reduce emissions from deforestation and forest degradation, which ensure the protection and conservation of forests (REDD+)
- Carbon neutralisation stands for offsets that represent carbon removed from the atmosphere and permanently stored. At Telefónica, we are using carbon credits from natural solutions, such as afforestation, reforestation and restoration projects (ARR), which promote forestation and thereby absorb carbon.

Decarbonisation Plan: Scope 3 Initiatives

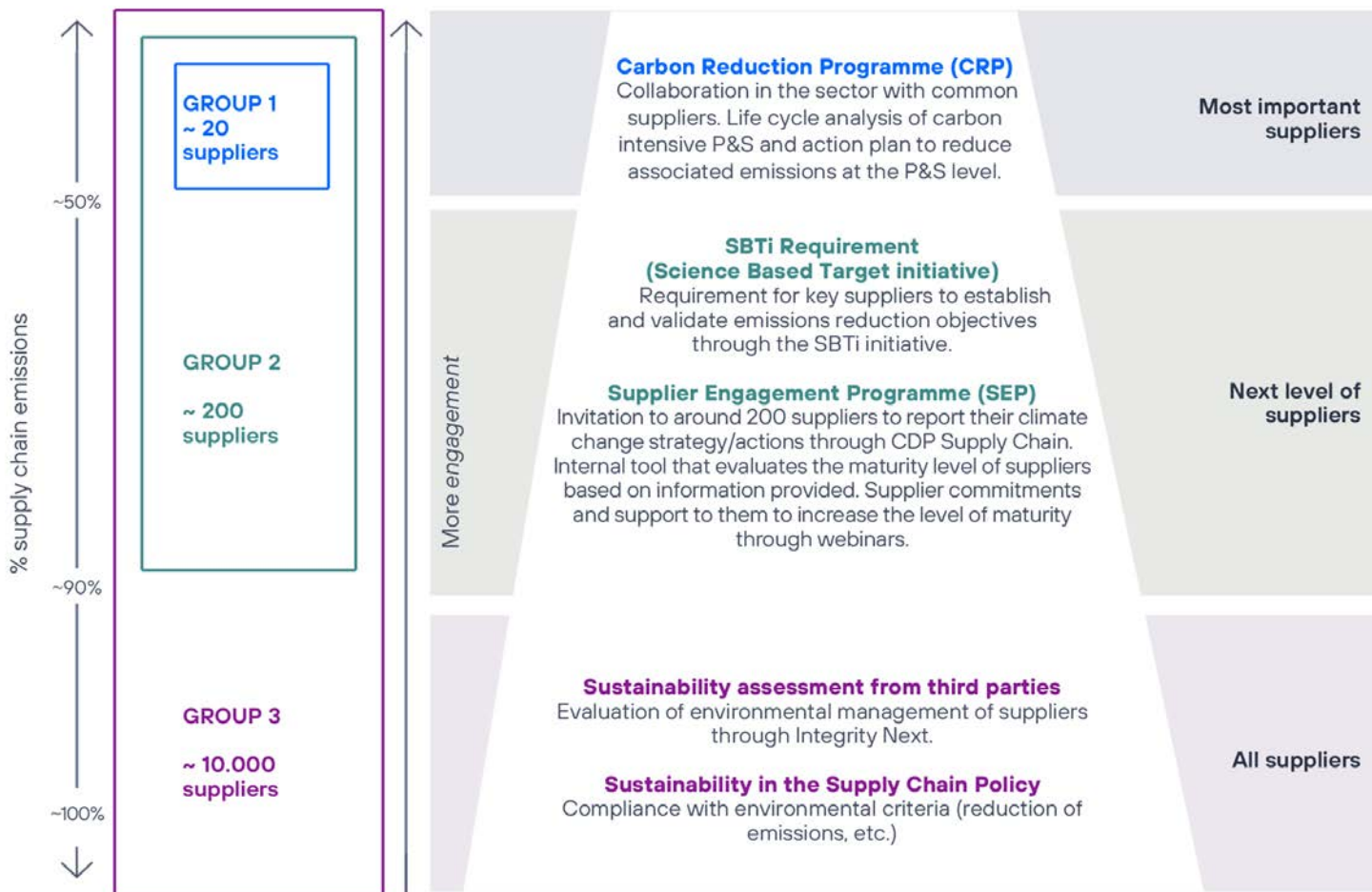
Scope 3 emissions



Scope 3 emissions in 2023





Engagement initiatives with suppliers



Energy: Targets & Progress so far

Our Energy Efficiency and Renewable Energy Plans include a wide range of initiatives aimed at reducing our own emissions (Scopes 1 & 2).

		Target	Target KPI	2023 Progress	Key messages
Energy Efficiency		90%	Reduction in energy use per traffic unit (MWh/Pb) by 2025 vs 2015.	89% ⁽¹⁾	<ul style="list-style-type: none"> • €82.2M savings in energy efficiency and management projects during 2023. • 8.6% reduction on energy consumption since 2015, while data traffic has increased 8.6x⁽²⁾.
Renewable Electricity		100%	Electricity sourced for own facilities consumption from renewables by 2030.	84%	<p>In 2023 we increased energy sourcing for own facilities consumption from renewable sources by 2 pp (ramping up from 82% of total supply). Our commitment is reflected in the Renewable Energy Plan, to achieve 100% renewable sourcing through purchase agreements (PPAs), self-generation, and guarantees of origin.</p>

(1) Our total energy consumption was 6,012 GWh (21,642,699 GJ), of which 95% was electricity and 5% was fuel. We highlight that we have managed to improve our rate of energy consumption per unit of traffic by 89.3% compared to 2015.

(2) In 2015 we had an energy consumption of 6,578 (GWh) and in 2023 we have reduced to 6,012 (GWh), even though we increased from 17 PB of traffic to 146.

Energy: Relevant initiatives



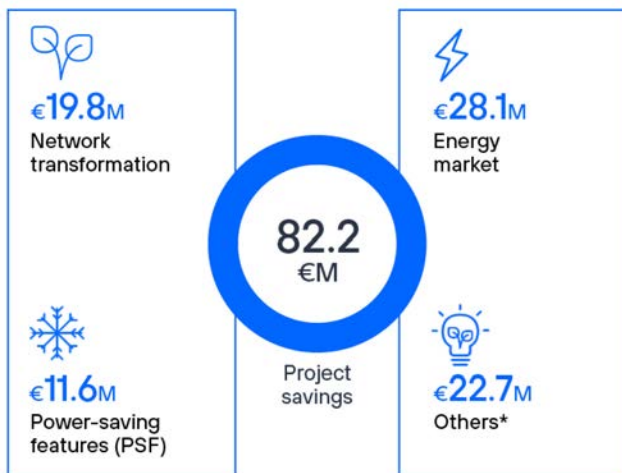
Our **network transformation initiatives** such as **energy efficiency projects**, contributed to **66% of total energy savings**.

Fibre optics - 85% more energy efficient vs copper network.

5G - Up to 90% more energy efficient than 4G.

2024: Spain will be the 1st country in EU to shutdown its copper network.

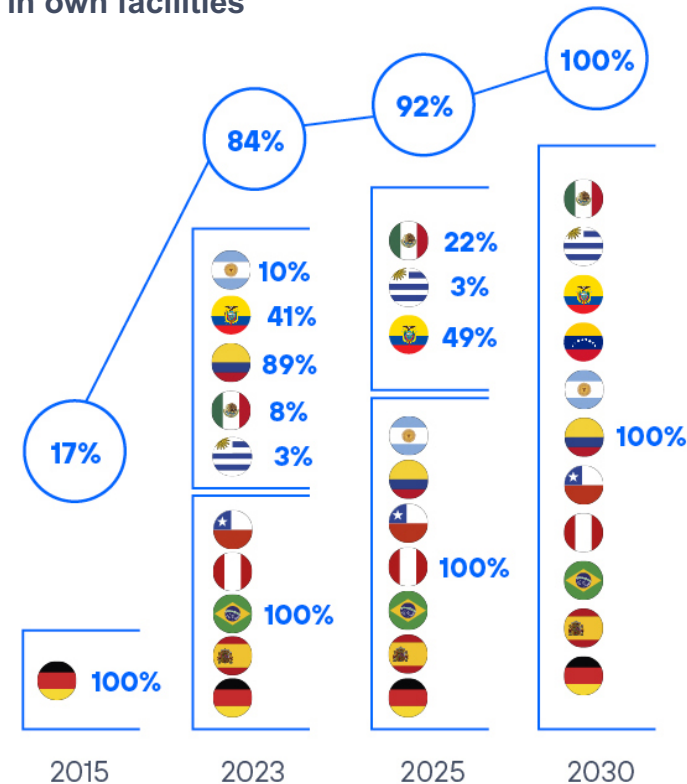
Savings in energy efficiency and management projects



*Other: includes projects such as lighting, correcting the output factor, renewable self-generation, reduction in fuel use, cooling, power, and tax exemptions and benefits.

Moving from copper, 2G, 3G and 4G networks to all-IP, fibre and 5G networks will give us a more streamlined business model.

Progress in renewable energy consumption in own facilities



Germany, Spain, Brazil, Peru and Chile also certified 100% of **electricity consumption at third-party** sites as being renewable, enabling us to reach 84% globally.

Connectivity & digital solutions for the Green Transition

We offer services that have the potential to generate environmental benefits by reducing the consumption of energy and water and the emission of CO₂ and boosting the circular economy. In this regard, our portfolio of Eco Smart services, verified by AENOR (an independent certifier), identifies those solutions that have the potential to make a positive contribution to the environment when used by our customers.

Eco Smart Services

52% of our services in Brazil, Chile, Colombia, Germany, Mexico, Peru, Spain, Telefónica Global Solutions (TGS), T. Tech and T. Tech UK&I have been verified as **Eco Smart** by AENOR.

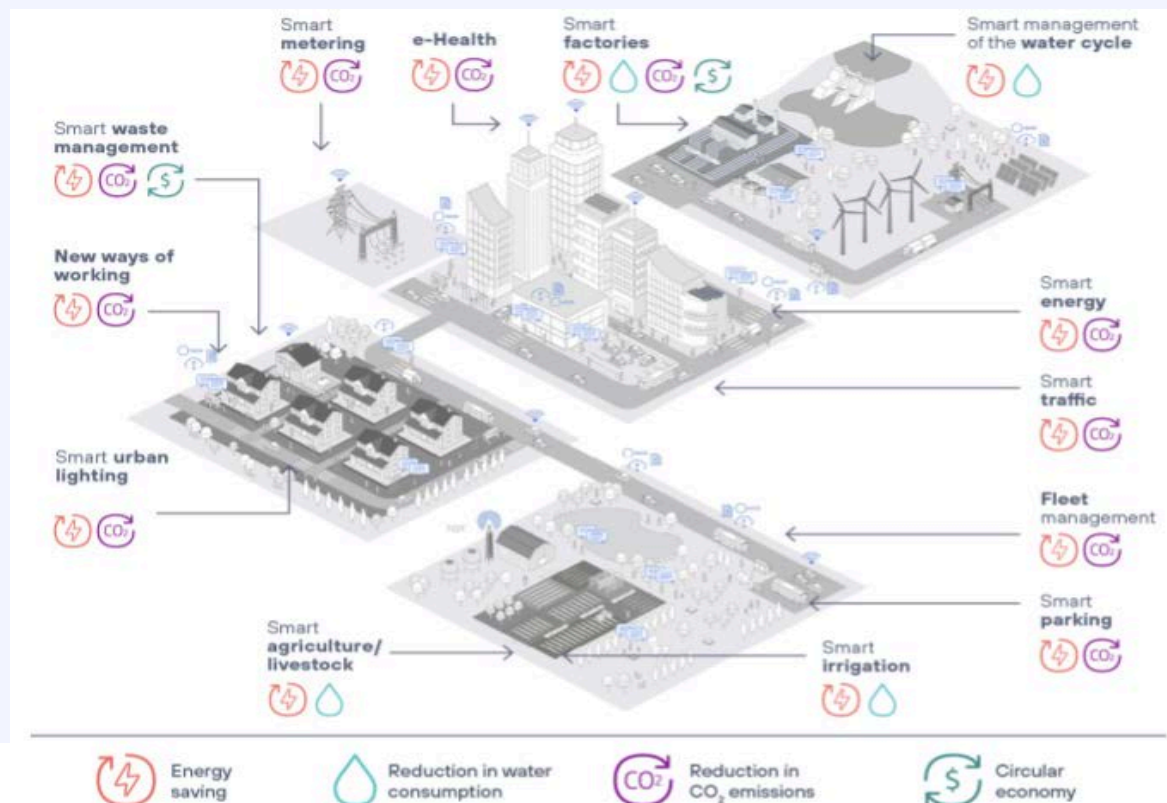


Customers' emissions avoided through digitalisation

Thanks to the efficiencies generated by our connectivity and Eco Smart services, we helped our customers avoid the emission of **86.1⁽¹⁾ MtCO₂** in 2023.



Digital solutions for environmental challenges



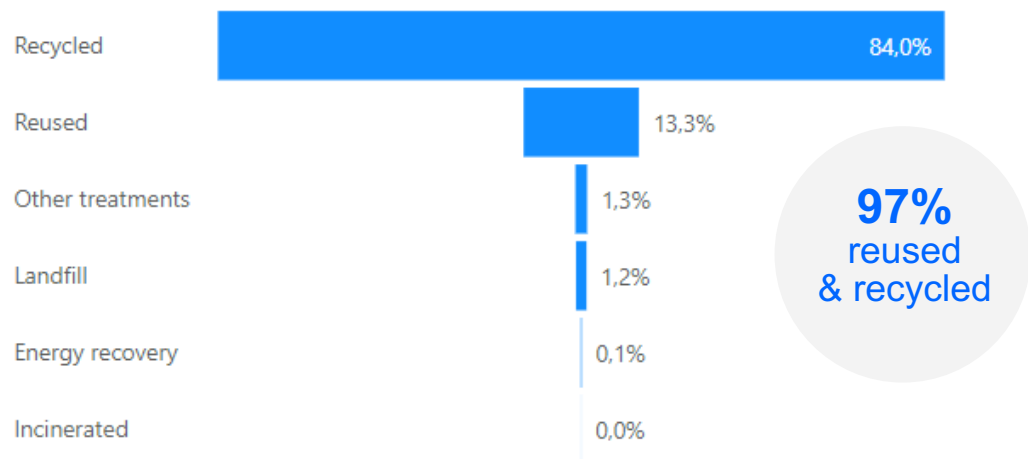
(1) Of the total, 84.9 MtCO₂ correspond to services where Telefónica only provides broadband and mobile connectivity for the B2C segment and 1.2 MtCO₂ to IoT, cloud, big data and health services where Telefónica provides the connectivity, IoT devices, platforms, services and/or software. These data include emissions generated by connectivity and the network infrastructure that forms part of these services.

Promoting circularity: Waste & digital initiatives

Promoting the circular economy in the transformation of our network by prioritising the reuse of electronic equipment and, where this is not possible, extracting value from materials through recycling.

Total waste generated (%)

E.g: Cables, electronic equipment (WEEE), batteries, paper and others.



Electronic equipment (%)








Only electronic equipment waste (WEEE)

	2022	2023
Reused equipment	44%	46%
Recycled equipment	56%	54%
Incinerated equipment	0	0
Equipment destined for energy recovery	0	0
Equipment sent to landfill	0.18%	0.06%

Telefónica's digital initiatives to promote reuse & circular economy

VICKY	Blockchain technology to increase traceability of customer premise equipment (modems, routers and TV set-top boxes).
APOLLO	Big data and analytics to optimise collection routes for uninstalled or inactive equipment .
MAIA	Marketplace to promote internal reuse of network equipment and when is not possible, facilitate equipment sales of secondhand network equipment.
MARA	Omnichannel model with an end-to-end approach that allows our customers evaluate mobile devices and access trade-in programs, technical support or repair services.
GRETEL	Platform to increase traceability in waste management and to identify opportunities to improve reuse and recycling rates.

Promoting circularity: Targets & Progress so far

		Target	Target KPI	2023 Progress	Key messages
Design with environmental criteria		100%	% of new home connectivity equipment designed with environmental criteria from 2025	33%	<ul style="list-style-type: none"> • Launch of new products such as the Fibre to the Room (FTTR) device, which contains 70% recycled plastic in its casing or HomeSpot 5G Router which is 63% repairable and 89% recyclable and recoverable.
Refurbishing and reusing CPE		90%	% refurbished customer premise equipment (e.g. routers, decoders) by 2024	88%	<ul style="list-style-type: none"> • We avoided the purchase of 3.7M of new equipment.
Reused mobile devices		500k	Units of reused mobile devices by 2030	491,422	<ul style="list-style-type: none"> • Reused 491,422 mobile devices, 27% more than 2022.
Collected mobile devices		20%	% used mobile devices taken back over total new devices sold/distributed through own channels by 2030 (GSMA goal)	11%	<ul style="list-style-type: none"> • In 2023 we collected 102t of mobile phones, 11% of the total devices distributed.
Zero mobile device waste to landfill		100%	% reused and recycled mobile phones collected by 2030 (GSMA goal)	99%	<ul style="list-style-type: none"> • We reused and recycled 99% of the total mobile phones collected.
Zero network equipment waste to landfill		100%	% network equipment reused and recycled by 2025 (GSMA goal)	99%	<ul style="list-style-type: none"> • 313,805 reused items of network equipment, 36% more compared to 2022, thanks to initiatives such as the MAIA marketplace.
Zero waste to landfill		100%	% of waste reused and recycled by 2030	97%	<ul style="list-style-type: none"> • We reused and recycled 97% of their waste, including 4.5M items of electronic equipment and avoiding 365,929 tCO₂ associated with the manufacture of new products.

Protecting and conserving biodiversity and water

Biodiversity

98%

of Telefónica's facilities are located in habitats with low or very low biodiversity value.

Our fundamental aim is to manage all natural resources efficiently:

- ✓ Identify and assess nature-related impacts, risks and opportunities (**direct operations & value chain**).
- ✓ Apply **mitigation hierarchy** (avoid, mitigate, restore and offset) in relation to priority areas on biodiversity.
- ✓ **Establish partnerships** and **share best practices**.
- ✓ Improve **employee awareness** to encourage responsible and efficient use of resources.

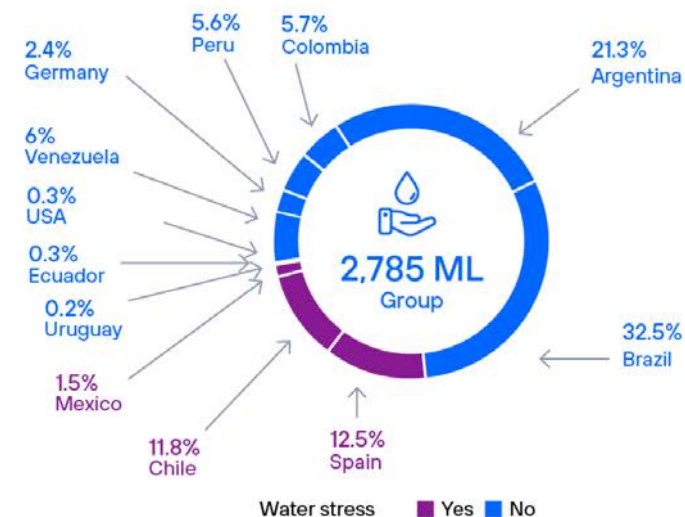
Water

12.8%

reduction in water consumption in 2023, with a 6.3% decrease in countries classified as highly water-stressed areas.

Total water consumption

We adopt specific measures to achieve efficient consumption, especially in places classified as highly water-stressed areas





S: Helping society to thrive

Telefónica is enabling an inclusive digital transition. Our human capital management aims to attract and retain the best talent.

- ✓ Human capital
 - Targets & progress
 - Diversity & inclusion
- ✓ Digital inclusion
- ✓ Human rights
- ✓ Customer relationship
- ✓ Sustainable products & services
- ✓ Contribution and impact on society



Human Capital: Targets & Progress

		Target	Target KPI	2023 Progress	Key messages
Overall motivation		70 annually	Employee Net Promoter Score	76	<ul style="list-style-type: none"> • 7pp+ in eNPS vs. 2022 (>80% of employee participation).
Women executives		37%	% of women executives by 2027.	32.8%	<ul style="list-style-type: none"> • Programmes to accelerate female employee careers and attract female talent. • Commitment to gender equality recognised by Bloomberg Gender-Equality Index.
Pay gap		+/-1%	Adjusted Gender Pay Gap (%) in own workforce by 2024.	0.71%	<ul style="list-style-type: none"> • Target seeks to ensure equal pay for equal work. • Achieved in 2022.
		0%	Gross Gender Pay Gap (%) in own workforce by 2050.	16.1%	<ul style="list-style-type: none"> • 0.7 pp reduction in gross pay gap between 2022 & 2023. • Increasing proportion of women in key positions, i.e. executives or income generation positions (49% in 2023).
Gender parity at the highest levels		Parity ¹	% women in the company's highest governance bodies.	40% women on the Board of Directors	<ul style="list-style-type: none"> • Target achieved in 2022 for the Board of Directors. • Objective to achieve parity across the Company's highest governance bodies by 2030.
Promote inclusion		2,700 employees with disabilities	Nº of employees with disabilities by 2024.	2,572	<ul style="list-style-type: none"> • Enhanced disability awareness programmes. • Commitments through Valuable 500 initiative
Work-life balance		70 annually	At least 70% in the employee motivation survey regarding work-life balance.	81%	<ul style="list-style-type: none"> • Variety of flexible work options including hybrid working and subsidised four-day week, among others. • Pioneering digital disconnection agreement in 2019 with all trade union organisations.

(1) Parity defined on not more than 60% and not less than 40% of each gender.

Target achieved

Human Capital: Employee survey results



Overall motivation

95%

of our professionals reported that their work has purpose and meaning in the employee survey (>80% participation).



Professional development

81%

of our employees reported in the employee survey that learning forms part of their day-to-day working lives.



New ways of working

94%

of our employees consider that the hybrid-flexible working system enables them to be more productive.



Safety, health and well-being

81%

of our employees feel that Telefónica supports well-being at the Company

Formula for calculating the eNPS



AI for customised training

Leveraging AI in our SkillsBank tool.



UNIVERSITAS

Universitas Telefónica

Tailored training for all professionals.

Adopted a consolidated hybrid, flexible, and digital work model, redefining workspaces and prioritising employee well-being.

65%

of employees have adopted our hybrid work model.

73%

of our employees are covered by a certified (ISO 45001 or OHSAS18001) occupational health and safety management system. 33 pp higher than in 2022

All employees have access to online courses on occupational health, safety and well-being

Human capital: Diversity & Inclusion

91% of employees stated that they worked in a company with equal opportunities and **84%** said that everyone's ideas were taken into consideration regardless of position, gender, age, religion, sexual orientation or identity, ethnicity, origin, disability or personal background.



Female talent

Examples of Initiatives during 2023:

- Group level: "Empowering Women".
- Spain: "Female Talent Boost Programme".
- Hispam: Futura leadership programme.

>600 participants during 2023.



People with disabilities

+1,090

employees with disabilities incorporated during 2023.

- Training & recruitment of candidates for tech roles with specialist partners.
- Ensuring workplace accessibility.



Ethnic and cultural diversity

109

nationalities in our workforce.

Initiatives to attract talent and promote leadership from the global majority (UK & Brazil).



LGBT+

- Signatories of the UN Standards of Conduct for Business to protect the rights of LGBT+.
- Benefits for LGBT+ couples & parents that go beyond the legal requirements (Hispam).
- Development and wellbeing of transgender talent (transitioning toolkit, employability workshops) and commitments to attract talent in Brasil (111 employees).



Age

63%

of new recruits in 2023 under 35 years of age and initiatives to promote senior talent (e.g. Brazil).

Digital inclusion: meaningful connectivity

Inclusive access

- Connectivity: Access to broadband communication networks.
- Accessibility: Digital services as a key tool for improving the lives of people with disabilities.
- Affordability: Providing social tariffs to not a barrier to using new technologies

∨
92%

of the population in all our markets has access to our 4G/LTE mobile broadband coverage.

Digital skills

- Training in digital skills via Fundación Telefónica:
- Basic digital skills (e.g. Renacer Digital).
 - Intermediate digital skills (e.g. Conecta Empleo, Líderes Digitales).
 - Employability and training in advanced digital skills (e.g. Campus 42).

∨
>1.2M

people given intermediate or higher digital skills training to improve employability.

Innovation and relevant services

- Developing new solutions and innovative services that can improve people's lives
- New verticals: e.g. renewables (Solar360 in Spain), eHealth, circularity & education.
- Solutions and verified labels to inform customers e.g. Eco Rating for B2C and Eco Smart for B2B customers.

∨
100%

of new P&S will be reviewed under our Responsibility by Design framework by 2025.


Safe and responsible use of technology

- Ensuring that P&S meet the strictest privacy and security standards to generate confidence in use of new technologies.
- Protecting and fostering a responsible use of technology.

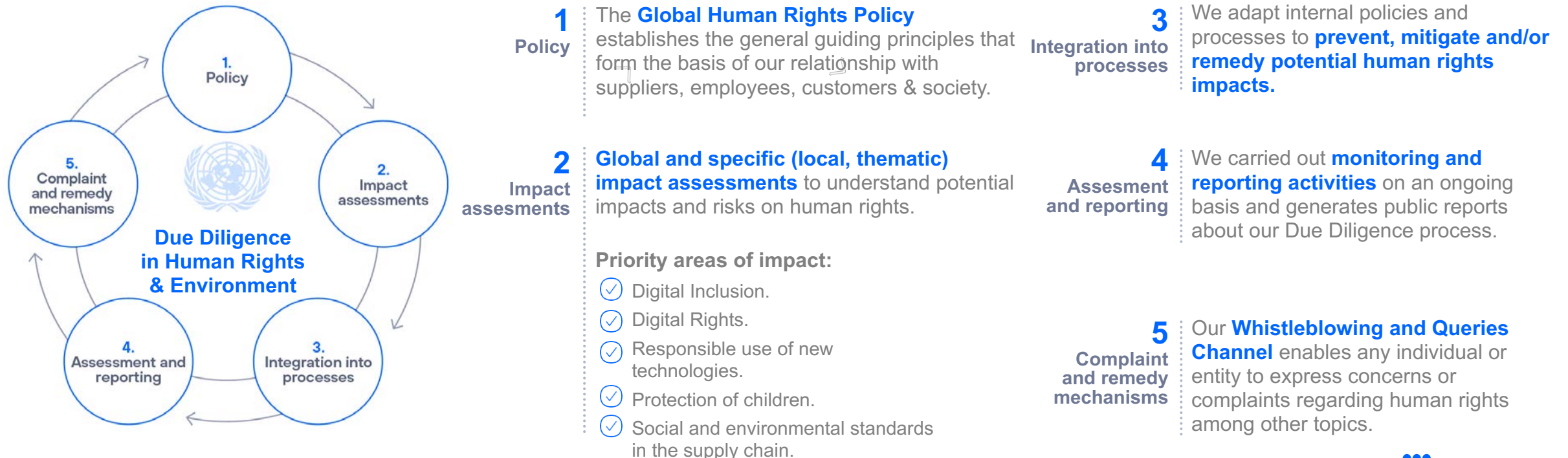
∨
>28M

people reached through awareness-raising initiatives on the safe and responsible use of technology.


Human Rights: due diligence process

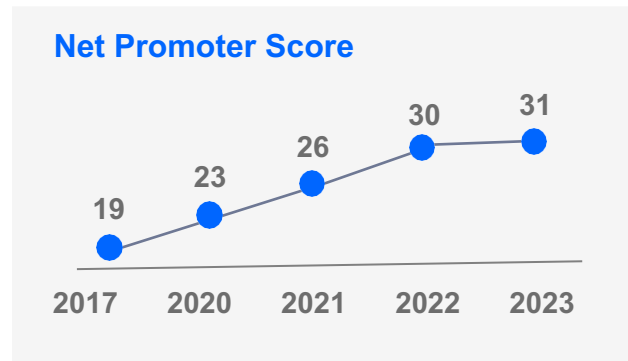
		Target	Target KPI	2023 Progress	Key messages
Human rights risk assessment		100%	% of our operations assessed on human rights twice a year.	100%	<ul style="list-style-type: none"> • Global impact assessments every 3-4 years to identify and validate existing/new Human Rights impacts. Based on the results, we conduct local impact assessments twice a year and independent thematic impact assessments if a new relevant impact is identified.

Pioneering report on the Due Diligence process to take into account the new regulatory requirements, following a five-step process:



Customer Relationship: Building trust

Customer satisfaction		Net Promotor Score	Our 2023 Progress
		<p>We measure NPS as a target linked to customer trust. NPS is included within our employees' remuneration schemes</p>	<ul style="list-style-type: none"> ◦ NPS reached 31 points in 2023, marking an improvement of 10 points vs. 2017. ◦ >99% network availability during 2023, in line with our objective to provide the best connectivity.



Our internal regulation on Responsible Communication provides guidelines on how to address customers and other stakeholders.

We are part of the Planet Pledge initiative. In 2023:

- Trained 450 marketing, comms, events & sponsorship employees to reduce environmental impact.
- Provided guidelines to avoid greenwashing.



Voice of the Customer programmes



Spain: The handling of dissatisfied customers through close-the-loop allows almost 70% of customers to end up being satisfied.



Brazil: Resolution rate of the complaint process: 75% | Churn reduction: 60%.



Germany: Since the launch of the program in 2019 the relational NPS has increased by around 20 points.

Sustainable Products & Services: key to our growth strategy

We develop innovative solutions to help our customers transition to more sustainable and competitive business models

Responsibility by design

Integrating ethical, environmental sustainability and accessibility principles into P&S and channels.

Ethics applied to design



Principles of responsibility to the customer



Ethical principles applied to AI and data management

Sustainability applied to design



Design taking into account impact on human rights and accessibility



Impact on the environment



Pioneers:
AI principles published in 2018

Eco Rating



Measuring the environmental impact of mobile phones throughout their life cycle.

Implemented in 100% of our markets

Portfolio of solutions to address global challenges

ECOSMART SERVICES

VERIFIED BY **AENOR**

E-Health services

Cyber-security

52% of the B2B portfolio has an Eco Smart certification

Sustainable innovation

Core & Network innovation

- €3,203 M invested in R&D+i during 2023.
- 497 industrial property rights in 2023.
- High-capacity and energy-efficient networks with solutions based on Data- and AI-driven operations.

Ranked amongst the top 50 companies in Europe for R&D investment*

Open innovation

10 years investing in innovative startups



Open innovation
portfolio/active start-ups 538

Total cumulative investment
in Open Innovation €233M

(*) According to the European Union's Research and Innovation Observatory.

Contribution and impact on societies

Since 2019 we have been measuring our impact and our contribution to the main SDGs in order to better integrate this into the organisation's decision-making models.

To measure and monetise our impacts, we have followed the guidelines provided by organisations such as:

- Harvard Business School (HBS)
- The Value Balancing Alliance (VBA)
- The World Business Council for Sustainable Development (WBCSD)
- The Capitals Coalition

The latest report published considered 2022 data and rendered a €100bn contribution (similar to previous years),

€100bn socio-economic contribution

Impacts aligned with the Sustainable Development Goals



G: Leading by example





Telefónica maintains strict levels of governance oversight through policies, personnel, and programmes.

- ✓ Corporate governance
- ✓ Culture based on ethics
- ✓ Data privacy
- ✓ Security and cybersecurity
- ✓ Managing a responsible supply chain



Corporate Governance: A balanced and diverse board

Our 15-member board has a diverse skill set and background

- 
40%
Women on the Board of Directors
★
- 
15
Members on the Board of Directors
- 
66,67%
Independent Directors
- 
0,40%
total voting rights

0,80 Years Average Directors Tenure

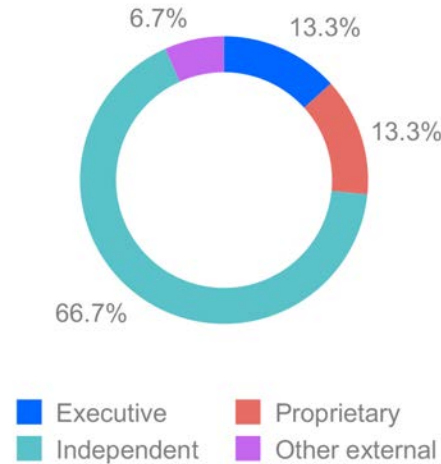
Renewed Board of Directors since 2016 **73.33%** New directors

Lead independent Director since December 2019

★ Target achieved

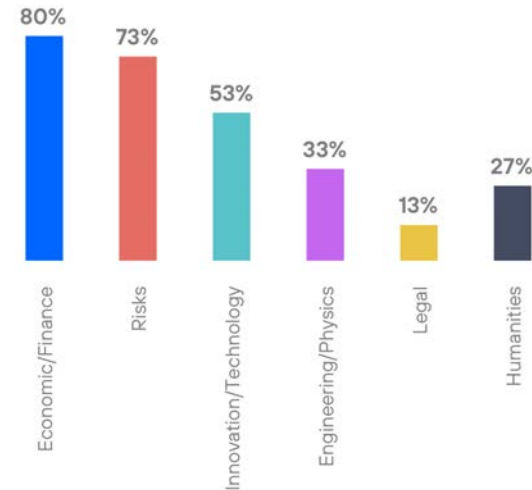
Board composition

Composition by category of Director



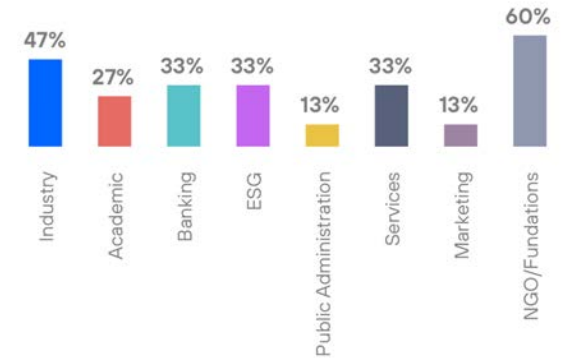
% of Directors with the following knowledge and skills

% Directors with the following Knowledge and Skills






% of Directors with professional experience in the following sectors

% Directors with Professional Experience in the following sectors



International diversity

Nationality

Spanish		12
Austrian		1
Brazilian		2

Corporate Governance: Active Board oversight

The Board continuously analyses the main strategic issues facing Telefónica.



Board oversight of Strategy

- ✓ The Board is responsible for approving Telefónica's Strategic Business Plan
- ✓ The Strategy and Innovation Committee (SI) supports the Board in analysing Telefónica's global strategy policy
- ✓ The Board is informed monthly of the matters discussed by the SI, which includes the global strategic policy, and receives updates from management on strategic issues including among others:
 - Human Capital Management Initiatives and Plans
 - Updates on Transformation programme
 - ESG Landscape and Responsible Business Plan
 - Strategic Portfolio Analysis

Board oversight of Responsible Business Plan

Approval > Responsible Business Principles > Ethical Framework

Responsible Business Plan > Roadmap for Sustainability

Main Sustainability Policies

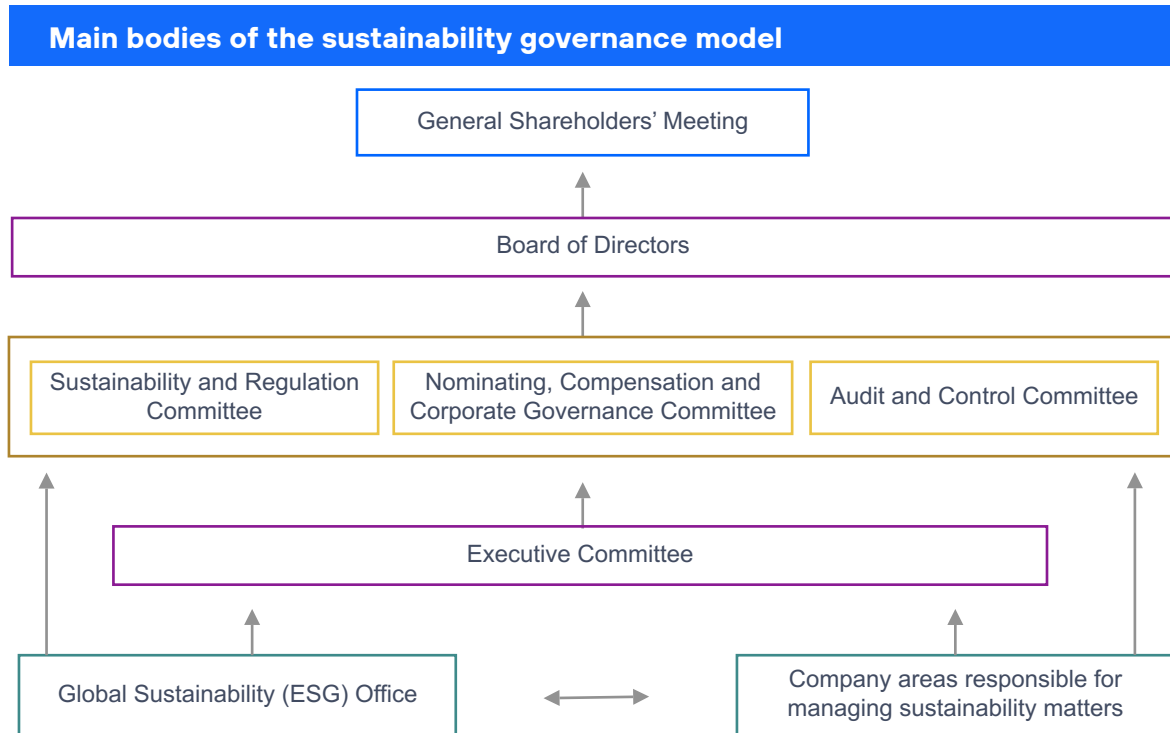
Supervision > Sustainability and Regulation Committee > Audit and Control Committee

Monitoring > Global Sustainability (ESG) Office

Implementation > Corporate Support and Business Areas > Country Operators

Corporate Governance: Sustainability Management

Various governance and management bodies involved in sustainability management



- General shareholder's Meeting** > The Company's **highest decision-making body**; Among its functions is the **approval of the Sustainability Report**.

- Board of Directors** > Approves the **Responsible Business Principles**, the **Responsible Business Plan** and the **relevant ESG policies and regulations**.

- Sustainability and Regulation Committee** > Created under its new structure on December 2023, it **oversees implementation of the Responsible Business Plan** at its monthly meetings, among other tasks.

- Nominating, Compensation and Corporate Governance Committee** > Oversees the **variable remuneration system**, which includes **sustainability-related targets**, among other things.

- Audit and Control Committee** > Oversees certain matters related to **sustainability information, regulatory compliance**, the **risk analysis and management process** and the Company's **reporting processes**.

- Executive Committee** > One of the Telefónica Group's **highest management bodies**, **monitors the business and the Responsible Business Plan** as well as other **issues related to the management of sustainability targets**.

- Global Sustainability (ESG) Office** > Development of **the business plan, reporting** of sustainability information, management of **sustainability risks**, monitoring the **ESG culture**, communication for **engagement with stakeholders** and coordination of **sustainable finance**, among others.

- Company areas responsible for managing sustainability matters** > Undertake the **implementation of the objectives of the Responsible Business Plan**.

Ethics and responsible business

A culture of responsible business is ensured via robust policies, extensive training and the facilitation of reporting channels.

		Target	Target KPI	Our 2023 Progress	Key messages
Responsible Business		0	Zero Tolerance of corruption and bribery	0 confirmed cases of corruption.	<ul style="list-style-type: none"> 94,900 employees (91% of the workforce) have been trained in anti-corruption. 5,823 suppliers awarded in 2023 have received information on integrity policies and values.
		All Employees	Employees trained in Responsible Business Principles and Human Rights	92,401 employees	<ul style="list-style-type: none"> Since the Principles of Responsible Business course was launched (May 2022), 89% of employees have completed the training.
		All Operations	Operations assessed for corruption risks	All operations assessed	<ul style="list-style-type: none"> The operations' risk map, including the basic compliance risk, is carried out twice a year.

Implementing a solid culture of ethics & compliance

Legal compliance & zero tolerance to corruption & bribery



- Integrity is the basis for our Compliance function.

Robust training on ethics



- Mandatory responsible business, human rights training, integrity training and internal awareness campaigns.

Whistleblowing channel



- New Policy on Whistleblowing in 2023 (new regulatory requirements).
- 912 complaints received in 2023, 328 of which were substantiated, and 109 resulted in termination of contracts.

Fair competition



- Training on competition law available for all company areas.
- In 2023, no material judicial proceeding were in progress for violation of competition law and no fines were paid for anticompetitive practices.

Political neutrality



- We do not take a political standpoint beyond views on matters affecting Telefónica.

ESG Academy



- Online and in person courses
- >3,300 courses (>5,500 training hours) on ESG topics and business ethics completed by >2,500 employees in 2023.

Privacy and Security

Privacy and Security is fundamental to our business. Our priority is to generate a relationship of trust with all those with whom we work.



Protection

Data must be secure and individuals' privacy must be preserved. This is the foundation of our business and our primary consideration when designing our services and collaborating with third parties.



Design

We apply privacy and security by design, that is incorporated into the initial concept of our products and services and subsequently throughout the development process.



Empowerment

Individuals must be able to manage and control their personal data. This enables access to their data and to additional information about the risks and benefits associated with management thereof.



Transparency

The principle of transparency is about both providing people with straightforward tools that allow them to control their data and having the technological development needed to generate maximum respect for privacy and information security.

Key Data 2023



75,821 hours of training in data protection and cybersecurity, with over **94k attendees**



6,007 days dedicated by **internal audit** to **data protection and cybersecurity**



Leading telco in Ranking Digital Rights index and the Digital Inclusion Benchmark

Data privacy: performance, internal controls and main targets

In order to reduce risk exposure and increase digital trust, Telefónica complies with the "**Data minimisation**" principle of the General Data Protection Regulation (GDPR), to **obtain, process and store** only the personal data that is **necessary** and to do so only for a **specified time**. We have established policies and guidelines on the **storage and deletion of data** in the Transparency Centres of the Group's operators.

Our data privacy performance in 2023



30 requests for mediation were processed through Voluntary mediation system with **AUTOCONTROL**



0 fines due to data protection issues as a result of a security breach or incident affecting personal data.

Our internal data privacy policies

Privacy regulations



Global Privacy Policy

Corporate Rule

Approved by the Board of Directors of Telefónica, S.A.



Establishes the mandatory rules for all Company entities, thereby laying the foundations for a privacy culture based on the principles of legality, transparency, security, storage limitation and respect for data subjects' rights.



Personal Data Protection Governance Model Regulations

Corporate Rule

Approved by the DPO Office of Telefónica, S.A.



Establishes the strategic, organisational, operational and management framework applicable to our different activities in the field of data protection.



Regulation on Requests by Competent Authorities

Corporate Rule

Aprobada por la dirección de Ética y Sostenibilidad de Telefónica S.A.



Establishes the principles and minimum guidelines that must figure in the internal procedures of each of the Group's companies/business units/OB to ensure compliance with their duty to cooperate with the competent authorities as regards our customers' data.

Key targets for 2024



Approve and introduce **Binding Corporate Rules** (to guarantee transfer of personal data outside the EU), which will permit us to increase our level of commitment to privacy even further.



Update the Group's Privacy Policy it in line with the BCRs Group's Privacy Policy to bring.



Update the Global Privacy Centre, which is part of the Global Transparency Centre.

Security & Cyber-security

Protecting people and property from potential damage from Security threats while guaranteeing confidentiality, integrity and availability of the company's information assets.

Key indicators & targets



High Severity Cyber security incidents involving personal identifiable information:
0 (vs. 2 incidents affecting <0.5% of base in 2022).



>95% of contracts/RFPs with suppliers
 will contain security requirements by 2025.

Internal security management

Prevention, detection and appropriate response to reduce attacks and protect digital services across the Group.

- Physical and operational security
- Digital security
- Business continuity
- Fraud prevention
- Supply chain security

International standards such ISO 27001 and NIST are followed.

<https://www.telefonica.com/en/global-transparency-center/security>



Next Steps

- Continue our review of the global regulatory framework on security in order to simplify it and align it with new versions of international standards, such as ISO 27001.
- Move forward with deploying the Zero Trust¹ model to control IT system access and with implementing tools to govern the security of cloud environments.
- Increase the percentage of contracts/RFPs that contain security requirements for the supply chain.

(1) Zero Trust is a security strategy applied to accessing information that will be provided through “minimum privilege” control techniques. It will be end-to-end encrypted and guided by the principle of “never trust, always verify”

Cyber Security Capabilities for our customers via Telefónica Tech

Managed & professional services and consulting



Identify

Cyber-exposure management Cyber-Threat Intelligence. Vulnerability Management. Offensive Security



Protect

Zero-trust defense. Managed Security Services. Managed Secure Networking Services



Detect & respond

Managed extended detection & response. DFIR. Managed SIEM

NextDefense Platform



Network



Identity



End-point



Cloud



Security Automation

OT



Data



Apps



People



~6,300 Professionals

+4,000 Certifications



2 DOCs + SOCs

24x7 always-on security professionals with global reach & local presence



+15 years

of Cyber Security practice in Telefónica

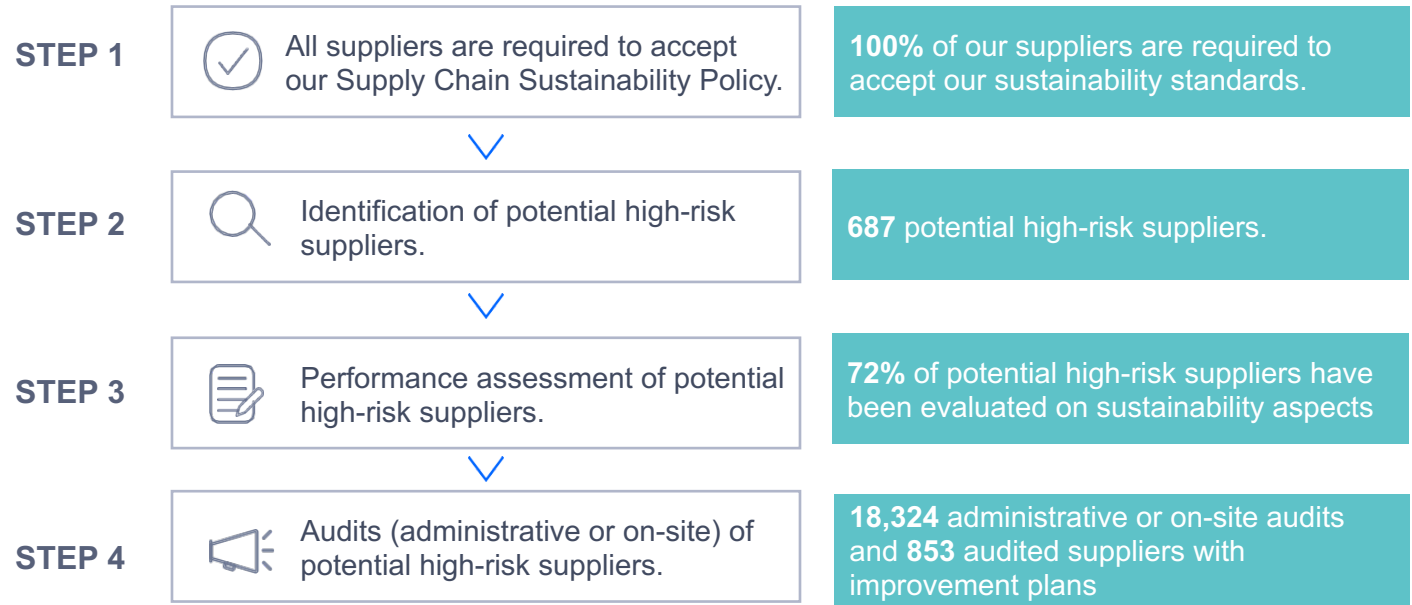
Supply Chain Management

		Target	Target KPI	2023 Progress	Key messages
Supply chain risk assessment		100%	% of potential high-risk suppliers assessed on sustainability matters via an external platform by the end 2026	72%	<ul style="list-style-type: none"> Identification of potential high-risk suppliers through our internal risk assessment methodology. Potential high-risk suppliers then evaluated based on 15 sustainability criteria that cover ESG aspects.

Telefónica’s supply chain approach is based on two pillars

1. Risk management

2. Engagement



Every stage is accompanied with **training and engagement with our suppliers**: to raise **awareness** and promote capabilities to improve.



Annex

- ✔ ESG Reporting links
- ✔ Double Materiality
- ✔ Climate change risks and opportunities
- ✔ Our Board of Directors
- ✔ Contribution to society
- ✔ Data privacy by design process, assuring transparency and empowering our customers
- ✔ Performance in ESG Ratings ESG Reporting

ESG Reporting links

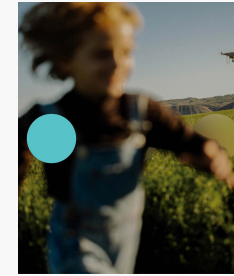
Annex I ESG Reporting



ESG Library

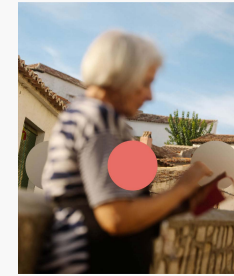


Consolidated Management
Report 2023



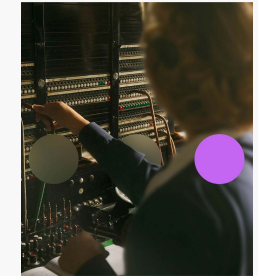
E

Environment



S

Social



G

Governance

Double materiality: Process



Impact, risk and opportunity (IRO) assessment criteria

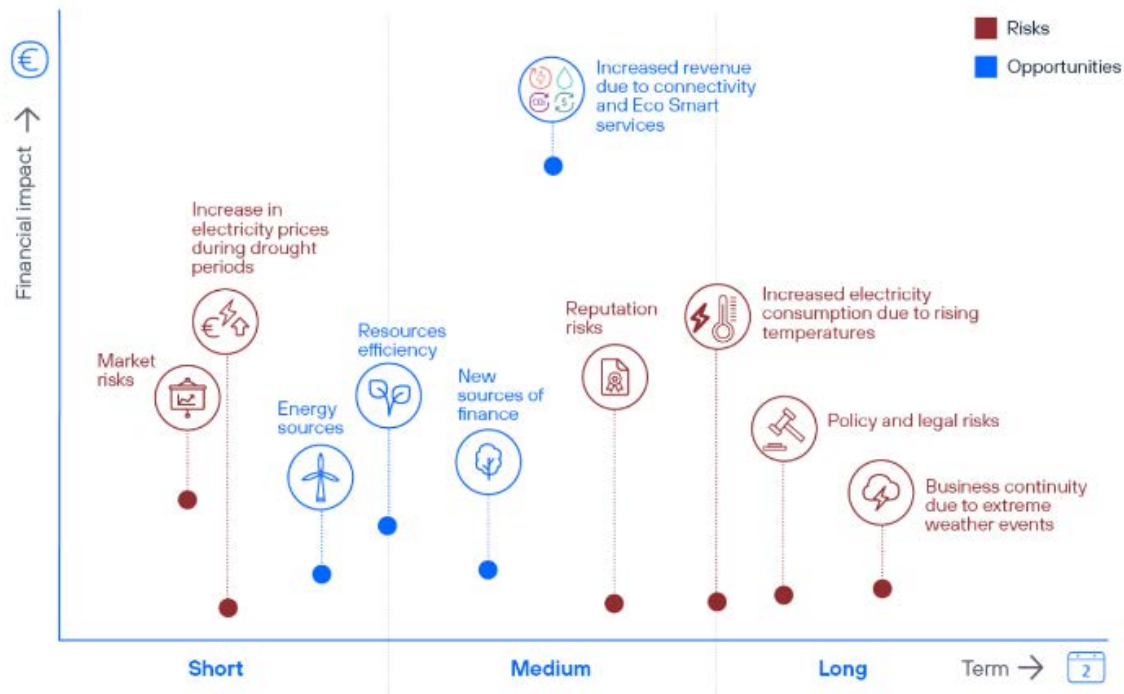
Impact perspective	Positive Impact	Actual	Scale + Scope + Economic Assessment
		Potential	(Scale + Scope + Economic Assessment) x Likelihood
	Negative Impact	Actual	Scale + Scope + Remediability
		Potential	(Scale + Scope + Remediability) x Likelihood
Financial perspective	Risks	Scale + Economic Assessment x Likelihood for potential	
	Opportunities		

Climate change: Risks and opportunities

Annex III Climate change risks and opportunities

Telefónica analyses climate-related risks in accordance with the recommendations of the Task Force on Climate related Financial Disclosures (TCFD). The opportunities are associated with cost reductions and business growth.

Financial impact of climate-related risks and opportunities



Climate change opportunities

Resource efficiency	Eco Smart products and services	Energy sources	Resilience	New financing sources
We optimise the costs of our networks and operations through our Energy Efficiency Plan.	Our connectivity and digitalisation solutions are key to decarbonising other sectors and will allow us to access new business opportunities.	Our Renewable Energy Plan allows us to reduce carbon emissions and lower the cost of energy for our network, thanks to self-generation and long-term power purchase agreements (PPAs).	Our adaptive strategy allows us to incorporate risks and opportunities into the Company's strategy, influencing our investment, modernisation and network deployment decisions.	Access to new sustainable financing sources, in addition to traditional financing.

Corporate Governance: Our board of directors

Annex IV Our Board of Directors

Telefónica is firmly committed to the ongoing improvement of its corporate governance framework, increasing, strengthening and consolidating best practices in this area.



José María Álvarez-Pallete López
Executive Chairman
Executive Director
Committees: E (Chair)



Isidro Fainé Casas
Vice Chairman
Proprietary Director
Committees: E



José María Abril Pérez
Vice Chairman
Proprietary Director
Committees: E, SRC



José Javier Echenique Landiribar
Vice Chairman and Lead Independent Director
Independent Director
Committees: E, AC (Chair), NCCG



Ángel Vilá Boix
Chief Operating Officer
Executive Director
Committees: E



Carmen García de Andrés
Member
Independent Director
Committees: AC, SRC



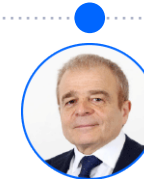
María Luisa García Blanco
Member
Independent Director
Committees: AC, NCCG, SRC



Peter Löscher
Member
Independent Director
Committees: E, AC, NCCG (Chair)



Verónica Pascual Boé
Member
Independent Director
Committees: NCCG



Francisco Javier de Paz Mancho
Member
Other External Director
Committees: E, NCCG, SRC (Chair)



Alejandro Reynal Ample
Member
Independent Director



Francisco José Riberas Mera
Member
Independent Director



María Rotondo Urcola
Member
Independent Director
Committees: AC, SRC



Claudia Sender Ramírez
Member
Independent Director
Committees: E



Solange Sobral Targa
Member
Independent Director
Committees: SRC

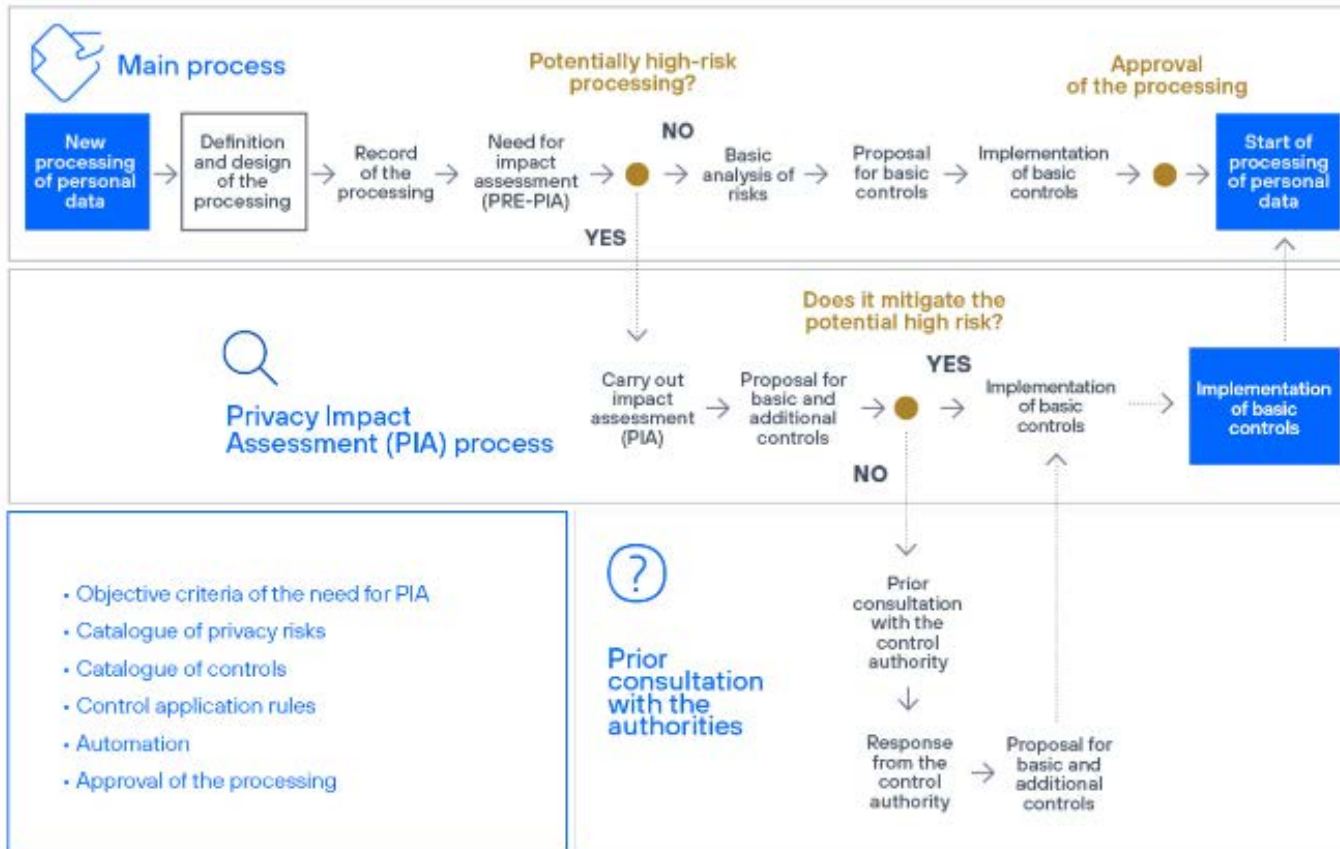
Contribution to Society during 2023

- €7,580M euros are the taxes paid during 2023: For every 100 euros of turnover, we spend 19 euros in **taxes**.
- For every euro of gross operating margin we obtained in 2023, we generated 4.3 euros of **contributions to the GDP** of the main countries in which we operate.
- 23,370 million euros awarded to 8,462 suppliers. 83% of **purchases awarded to local suppliers**.
- Our activities constitute a catalyst for job creation: for every person we hire, we additionally generate **over 10 indirect or induced jobs**

Data privacy by design process, assuring transparency and empowering our customers

Protection: privacy by design process

Designing P&S is crucial to implement **legal and security-based privacy protection measures** as well as ensure all business processes related to activities **impacting personal data**.



Transparency

[Global Privacy Center](#)

Our objective for 2024 is to continue improving this centralised channel, among other things by **linking all of our operators' Transparency Centres**. Our operations certified under ISO27001 are published in the Transparency center.

[Operators' Privacy and Security Centres](#)

Enable both our customers and stakeholders to obtain information about the processing of their **personal data** in a simple, digital and understandable way.

Customer empowerment






[Transparency center](#)






Allows customers to set their data privacy and **management preferences** via their Personal Data Space, permitting to **control and ensure the transparency of data**.

Performance in ESG Ratings

Annex VII 3rd Party Validations - Performance in ESG Ratings

Bloomberg Gender Equality Index		Included
CDP		A
CDP Supplier Engagement		Leader
Digital Inclusion Benchmark (DIB)		89/100 1st in the world (ICT sector)
EcoVadis		75/100

Fortune		Members of the Most Admired Companies 2023 list (4 th in the world/2 nd in Europe)
FTSE Russell		4,6/ 5 1 st in the sector
Moody's Analytics		66/100 3 rd position in the sector
MSCI		A
Ranking Digital Rights		1 st in the telecommunications sector

Refinitiv	 An LSEG Business	A -
S&P DJSI	 Powered by the S&P Global CSA	87/100 Member of DJSI Europe
Sustainalytics ⁽¹⁾		15.8 (low risk) 8 th in the telecommunications sector
Workforce Disclosure Initiative		90%
World Benchmarking Alliance		1 st

The table includes the latest valuations provided by institutions in 2023 or later, but based on information from that year.

Accountability & Transparency



SASB Telecommunication Services Sustainable Industry Classification System®



Now part of IFRS Foundation

Recommendations of IIRC



GRI standards (comprehensive)



TCFD recommendations (Environmental)



Eligibility activities reported under EU Taxonomy

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